

**REPORT OF THE AUDIT OF THE
HOPKINS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Hopkins County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions on the governmental activities, the business-type activities, and each major fund.

We have also issued a qualified opinion, based on our audit and the report of other auditors, on the discretely presented component unit.

Financial Condition:

The Fiscal Court had total net assets of \$11,787,893 as of June 30, 2007. The Fiscal Court had unrestricted net assets of \$6,020,145 in its governmental activities as of June 30, 2007, with total net assets of \$11,655,461. In its business-type activities, total net cash and cash equivalents were \$90,893 with total net assets of \$132,432. The Fiscal Court's discretely presented component unit had unrestricted net assets of \$364,691 as of June 30, 2007, with total net assets of \$364,691. The Fiscal Court had total debt principal as of June 30, 2007 of \$10,030,560 with \$990,560 due within the next year.

Report Comment:

- Hopkins County Jail Should Issue Receipts In Accordance With KRS 64.840

Deposits:

The Fiscal Court's deposits as of May 31, 2007 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,551

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the financial institution did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

As of June 30, 2007, all deposits of the discretely presented component unit were covered by FDIC or a properly executed collateral security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Donald Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Hopkins County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, which represent 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hopkins County Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are as follows:

- 8% increase in total assets, 100% increase in liabilities, 17% increase in revenues, and 2% increase in expenses.



To the People of Kentucky
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In our opinion, based on our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined had the Hopkins County Tourist and Convention Commission been prepared using the same basis of accounting as Hopkins County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Hopkins County, Kentucky as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Hopkins County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2008 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Hopkins County Jail Should Issue Receipts In Accordance With KRS 64.840

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 19, 2008

HOPKINS COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Donald E. Carroll	County Judge/Executive
Karol Welch	Magistrate
William Groves	Magistrate
Tim Riggs	Magistrate
Larry Wilson	Magistrate
Larry Rogers	Magistrate
Mike Duncan	Magistrate
Wesley Lynn	Magistrate

Other Elected Officials:

J. Todd P'Pool	County Attorney
Joe Blue	Jailer
Devra Steckler	County Clerk
Carolyn Polley	Circuit Court Clerk
S. Frank Latham	Sheriff
David Gordon	Property Valuation Administrator
Dennis Mayfield	Coroner

Appointed Personnel:

Cindy Jones	County Treasurer
Betty Arison	Jail Administrative Assistant

Hopkins County, Kentucky
Management's Discussion and Analysis
June 30, 2007

The financial management of Hopkins County, Kentucky offers readers of Hopkins County's financial statements this narrative overview and analysis of the financial activities of Hopkins County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Hopkins County had total net assets of \$11,787,893 as of June 30, 2007. The fiscal court had unrestricted net assets of \$6,020,145 in its governmental activities as of June 30, 2007. In its business-type activities, cash and cash equivalents were \$90,893 with total net assets of \$132,432.
- Total net assets increased \$1,302,845 during fiscal year 2007, including a \$1,275,871 increase for governmental activities and \$26,974 for business-type activities.
- At the close of the current fiscal year, Hopkins County governmental funds reported a total fund balance of \$5,634,585, of which \$5,525,975 is available for spending at the government's discretion (unreserved fund balance).
- Hopkins County's total liabilities at the close of fiscal year June 30, 2007 was \$10,030,560, of which \$9,040,000 is long-term debt (due after 1 year), and \$990,560 is the current maturities of long-term debt (to be paid within 1 year).

Overview of the Financial Statements.

This management's discussion and analysis is intended to serve as an introduction to Hopkins County's basic financial statements. Hopkins County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Hopkins County Tourist and Convention Commission will also be included in the county's basic financial statements as a discretely presented component unit. The Hopkins County Tourist and Convention Commission was audited by Berry & Kington, PSC who issued an unqualified opinion on August 27, 2007.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Government-wide Financial Statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of Hopkins County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Hopkins County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hopkins County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Hopkins County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, roads, debt service, capital projects, and administration. Hopkins County has one business type activity - Jail Canteen.

Fund Financial Statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hopkins County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Hopkins County can be divided into two broad categories: *governmental funds and proprietary funds*.

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

During this fiscal year Hopkins County maintained (5) five individual governmental funds. All of the governmental funds, except the general fund, are considered special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Contingency Fund

Non-major Fund:

- Local Government Economic Development Fund - no activity during fiscal year

Hopkins County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Contingency Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Tables 1 and 2 are abbreviated statements of net assets.

Table 1
Net Assets Comparison-Government Activities

	2006	2007	Variance
Assets			
Current and Other Assets	\$ 5,932,848	\$ 6,020,145	\$ 87,297
Capital Assets	14,831,742	15,665,876	834,134
Total Assets	20,764,590	21,686,021	921,431
Liabilities			
Current and Other Liabilities	590,000	990,560	400,560
Long-Term Liabilities	9,645,000	9,040,000	(605,000)
Total Liabilities	10,235,000	10,030,560	(204,440)
Net Assets			
Invested in Capital Assets, net of Related Debt	4,596,742	5,635,316	1,038,574
Restricted	301		(301)
Unrestricted	5,932,547	6,020,145	87,598
Total Net Assets	\$ 10,529,590	\$ 11,655,461	\$ 1,125,871
Prior Period Adjustment(s) - Net Assets (See Note 12)			
Capital Asset Included In Error	(150,000)		150,000
Total Adjusted Net Assets	\$ 10,379,590	\$ 11,655,461	\$ 1,275,871

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Table 2
Net Assets Comparison-Business Type Activities

	2006	2007	Variance
Assets			
Current and Other Assets	\$ 87,049	\$ 90,893	\$ 3,844
Capital Assets	18,149	41,539	23,390
Total Assets	105,198	132,432	27,234
Liabilities			
Current and Other Liabilities	-	-	-
Long-Term Liabilities	-	-	-
Total Liabilities	-	-	-
Net Assets			
Invested in Capital Assets, net of Related Debt	18,149	41,539	23,390
Restricted	6,826	4,685	(2,141)
Unrestricted	80,223	86,208	5,985
Total Net Assets	\$ 105,198	\$ 132,432	\$ 27,234
Prior Period Adjustment(s) - Net Assets (See Note 12)			
Prior Year Voided Checks	260		(260)
Total Adjusted Net Assets	\$ 105,458	\$ 132,432	\$ 26,974

Changes in Net Assets.

- *Governmental Activities.* Investment in capital assets and infrastructure, net of related debt increased \$1,038,574 primarily due to reduction of debt and the capitalization of infrastructure and equipment.
- *Business-Type Activities.* Hopkins County's net assets increased by \$26,974 in fiscal year 2007 primarily due to capitalization of vehicles and equipment.

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Statement of Revenue, Expenditures, and Changes In Fund Balance. As noted earlier these statements show how the government's fund balances changed during the year. Table 3 shows a comparison of 2007 and 2006 figures.

Table 3
Statement of Revenues, Expenditures, and Changes in Fund Balances
Government Activities

	2006	2007	Variance
Revenues			
Taxes	\$ 5,025,648	\$ 5,274,479	\$ 248,831
Excess Fees	1,718,969		(1,718,969)
Licenses and Permits	147,955	80,423	(67,532)
Intergovernmental	9,211,620	10,363,092	1,151,472
Charges for Services	248,943	345,631	96,688
Miscellaneous	978,057	796,151	(181,906)
Interest	283,500	355,311	71,811
Total Revenues	\$ 17,614,692	\$ 17,215,087	\$ (399,605)
Expenditures			
General Government	\$ 4,909,575	\$ 4,551,892	\$ (357,683)
Protection to Persons and Property	3,590,748	3,801,324	210,576
General Health and Sanitation	1,383,198	1,466,447	83,249
Social Services	680,398	573,659	(106,739)
Recreation and Culture	622,140	383,450	(238,690)
Roads	1,120,784	2,220,823	1,083,039
Debt Service	953,717	963,270	9,553
Capital Projects	2,672,495	838,888	(1,833,607)
Administration	2,569,297	2,779,225	209,928
Total Expenditures	\$ 18,502,352	\$ 17,561,978	\$ (940,374)
Excess (Deficiency) of Revenues Over			
Expenditures Before Other			
Financing Sources (Uses)	\$ (887,660)	\$ (346,891)	\$ 540,769
Other Financing Sources (Uses)			
Financing Obligation Proceeds	-	385,560	385,560
Total Other Financial Sources(Uses)	\$ -	\$ 385,560	\$ 385,560
Net Change in Fund Balances	(887,660)	38,669	926,329
Fund Balances – Beginning	6,483,576	5,595,916	(887,660)
Fund Balances – Ending	\$ 5,595,916	\$ 5,634,585	\$ 38,669

Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)

Financial Analysis of the County's Funds. As noted earlier, Hopkins County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Hopkins County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of fiscal year end June 30, 2007, the combined ending fund balance of County governmental funds was \$5,634,585. This consists of unreserved fund balance of \$5,525,975, which is available as working capital and for current spending in accordance with the purposes of the specific funds and \$108,610 reserved fund balance for encumbrances.

The county is reporting (5) five major governmental funds.

Major Funds:

- General Fund
 - Road Fund
 - Jail Fund
 - Local Government Economic Assistance Fund (LGEA)
 - Contingency Fund
1. The General Fund is the chief operating fund of Hopkins County. At the end of June 30, 2007 fiscal year, the total fund balance of the General Fund was \$1,955,665, of which \$1,922,759 was unreserved. The County received \$5,274,479 in real and personal property, motor vehicle, and other taxes for approximately 59% of the county's general revenues. Various other service fees, licenses & permits, intergovernmental grants, interest and miscellaneous revenues contribute to the remaining 41% of the revenues.
 2. The Road Fund is the fund related to County road construction and maintenance. The fiscal year 2007 expenditures for Road Fund were \$2,948,947, of which \$1,820,896 went to pave roads.
 3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund received \$2,747,486 from intergovernmental fees, primarily for housing prisoners.
 4. The Local Government Economic Assistance Fund (LGEA) had a fund balance of \$541,325 as of June 30, 2007, an increase of \$288,799 from 2006 primarily due to the increase in Coal Severance Tax receipts.
 5. The Contingency Fund had a fund balance of \$2,534,784 as of June 30, 2007, an increase of \$164,303 from 2006 due to interest earned.

**Hopkins County, Kentucky
Management's Discussion & Analysis
June 30, 2007 (Continued)**

Proprietary Funds Overview.

The County's Proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Hopkins County maintains (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at fiscal year end June 30, 2007, amounted to \$86,208 and total net assets were \$132,432.

General Fund Budgetary Highlights.

The Hopkins County General Fund budget was amended during the fiscal year increasing the budgeted revenues and budgeted expenditures by \$100,000. Actual revenues were \$60,956 under budget. Actual net expenditures were \$1,396,289 under budget.

Capital Assets and Debt Administration.

Capital Assets. Hopkins County's investment in capital assets for its government and business type activities as of June 30, 2007, amounted to \$15,707,415 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. Additional information on the county's capital assets can be found in Note 3 to the financial statements.

**Table 4
Hopkins County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total
	2006	2007	2006	2007	2007
Infrastructure	2,832,210	3,552,752	-	-	3,552,752
Land	406,500	406,500	-	-	406,500
Buildings & Improvements	10,301,569	10,072,178	-	-	10,072,178
Other					
Equipment	907,422	1,327,951	14,249	23,835	1,351,786
Vehicles & Equipment	234,041	306,495	3,900	17,704	324,199
Total Net Capital Assets	14,681,742	15,665,876	18,149	41,539	15,707,415

Short-Term and Long-Term Debt. At the end of the 2007 fiscal year, Hopkins County had total bonded debt outstanding of \$10,030,560, made up of \$9,645,000 in General Obligation Bonds and \$385,560 in short-term financial obligations. Additional information on the county's short-term and long-term debt can be found in Notes 5 and 6 to the financial statements.

Requests For Information.

This financial report is designed to provide a general overview of Hopkins County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the, Hopkins County Judge/Executive.

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HOPKINS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

HOPKINS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist And Convention Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,634,585	\$ 90,893	\$ 5,725,478	\$ 332,251
Receivables (net of allowances)				29,305
Assets Held For Resale	385,560		385,560	
Total Current Assets	6,020,145	90,893	6,111,038	361,556
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	406,500		406,500	
Buildings	10,072,178		10,072,178	
Other Equipment	1,327,951	23,835	1,351,786	4,777
Vehicles and Equipment	306,495	17,704	324,199	
Infrastructure	3,552,752		3,552,752	
Total Noncurrent Assets	15,665,876	41,539	15,707,415	4,777
Total Assets	21,686,021	132,432	21,818,453	366,333
LIABILITIES				
Current Liabilities:				
Payroll Liabilities				1,642
Financing Obligation	385,560		385,560	
Bonds Payable	605,000		605,000	
Total Current Liabilities	990,560		990,560	1,642
Noncurrent Liabilities:				
Bonds Payable	9,040,000		9,040,000	
Total Noncurrent Liabilities	9,040,000		9,040,000	
Total Liabilities	10,030,560		10,030,560	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,635,316	41,539	5,676,855	
Restricted For:				
Other Purposes		4,685	4,685	
Unrestricted	6,020,145	86,208	6,106,353	364,691
Total Net Assets	\$ 11,655,461	\$ 132,432	\$ 11,787,893	\$ 364,691

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 7,304,810	\$ 80,423	\$ 2,563,573	\$
Protection to Persons and Property	3,891,867	2,526,288	532,827	
General Health and Sanitation	1,504,460	116,348		
Social Services	573,659		507,110	
Recreation and Culture	383,450			831,954
Roads	750,733	20,585	1,858,511	1,421,381
Debt Service	373,270			
Capital Projects	838,888			269,790
Total Governmental Activities	15,621,137	2,743,644	5,462,021	2,523,125
Business-type Activities:				
Jail Canteen	296,188	323,162		
Total Business-type Activities	296,188	323,162		
Total Primary Government	\$ 15,917,325	\$ 3,066,806	\$ 5,462,021	\$ 2,523,125
Component Unit:				
Hopkins County Tourist And Convention Commission	\$ 102,352	\$	\$ 26,681	\$
Total Component Unit	\$ 102,352	\$	\$ 26,681	\$

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Insurance Premium Tax
Transient Room Tax
Other Taxes

Unrestricted Investment Earnings
Gain on Disposal of Assets
Miscellaneous Revenues

Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist and Convention Commission
\$ (4,660,814)	\$	\$ (4,660,814)	\$
(832,752)		(832,752)	
(1,388,112)		(1,388,112)	
(66,549)		(66,549)	
448,504		448,504	
2,549,744		2,549,744	
(373,270)		(373,270)	
(569,098)		(569,098)	
(4,892,347)		(4,892,347)	
	26,974	26,974	
	26,974	26,974	
(4,892,347)	26,974	(4,865,373)	
			(75,671)
			(75,671)
2,084,982		2,084,982	
150,311		150,311	
261,190		261,190	
2,180,464		2,180,464	
			132,013
678,473		678,473	
355,311		355,311	12,771
11,000		11,000	
446,487		446,487	
6,168,218		6,168,218	144,784
1,275,871	26,974	1,302,845	69,113
10,379,590	105,458	10,485,048	295,578
\$ 11,655,461	\$ 132,432	\$ 11,787,893	\$ 364,691

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,955,665	\$ 237,008	\$ 365,803	\$ 541,325
Total Assets	<u>1,955,665</u>	<u>237,008</u>	<u>365,803</u>	<u>541,325</u>
FUND BALANCES				
Reserved				
Encumbrances	32,906	17,018	17,883	40,803
Unreserved:				
General Fund	1,922,759			
Special Revenue Funds		219,990	347,920	500,522
Total Fund Balances	<u>\$ 1,955,665</u>	<u>\$ 237,008</u>	<u>\$ 365,803</u>	<u>\$ 541,325</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Contingency Fund	Total Governmental Funds
\$ 2,534,784	\$ 5,634,585
<u>2,534,784</u>	<u>5,634,585</u>
	108,610
	1,922,759
<u>2,534,784</u>	<u>3,603,216</u>
<u>\$ 2,534,784</u>	<u>\$ 5,634,585</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 5,634,585
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	22,127,564
Accumulated Depreciation	(6,461,688)
Assets Held For Resale	385,560
Debt Is Not Due and Payable in the Current	
Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(385,560)
Bonds	<u>(9,645,000)</u>
Net Assets Of Governmental Activities	<u>\$ 11,655,461</u>

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 5,274,479	\$	\$	\$
Licenses and Permits	80,423			
Intergovernmental	3,223,286	1,676,465	2,747,486	2,715,855
Charges for Services			229,283	116,348
Miscellaneous	195,550	328,577	115,222	156,802
Interest	132,124	19,854	17,499	21,531
Total Revenues	<u>8,905,862</u>	<u>2,024,896</u>	<u>3,109,490</u>	<u>3,010,536</u>
EXPENDITURES				
General Government	3,971,892			580,000
Protection to Persons and Property	300,328		3,228,596	272,400
General Health and Sanitation	125,930			1,340,517
Social Services	82,446			491,213
Recreation and Culture	23,750			359,700
Roads		1,820,896		382,927
Debt Service		6,045	957,225	
Capital Projects	10,980	826,394		1,514
Administration	1,471,112	295,612	819,035	193,466
Total Expenditures	<u>5,986,438</u>	<u>2,948,947</u>	<u>5,004,856</u>	<u>3,621,737</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,919,424</u>	<u>(924,051)</u>	<u>(1,895,366)</u>	<u>(611,201)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		385,560		
Transfers From Other Funds		300,000	1,875,000	900,000
Transfers To Other Funds	(3,075,000)			
Total Other Financing Sources (Uses)	<u>(3,075,000)</u>	<u>685,560</u>	<u>1,875,000</u>	<u>900,000</u>
Net Change in Fund Balances	(155,576)	(238,491)	(20,366)	288,799
Fund Balances - Beginning (Restated)	2,111,241	475,499	386,169	252,526
Fund Balances - Ending	<u>\$ 1,955,665</u>	<u>\$ 237,008</u>	<u>\$ 365,803</u>	<u>\$ 541,325</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Contingency Fund	Total Governmental Funds
\$	\$ 5,274,479
	80,423
	10,363,092
	345,631
	796,151
164,303	355,311
<u>164,303</u>	<u>17,215,087</u>
	4,551,892
	3,801,324
	1,466,447
	573,659
	383,450
	2,203,823
	963,270
	838,888
	<u>2,779,225</u>
	<u>17,561,978</u>
<u>164,303</u>	<u>(346,891)</u>
	385,560
	3,075,000
	<u>(3,075,000)</u>
	<u>385,560</u>
164,303	38,669
2,370,481	5,595,916
<u>\$ 2,534,784</u>	<u>\$ 5,634,585</u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

HOPKINS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 38,669
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Costs of Those Assets are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	2,020,350
Depreciation Expense	(1,019,316)
Book Value of Disposed Capital Asset	(16,900)
Purchase of Assets Held For Resale	385,560
Disposal of Assets Held For Resale	(336,932)
The Issuance of Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Debt Consumes Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect On Net Assets.	
Financing Obligation Proceeds	(385,560)
Bond Principal Payments	590,000
Change in Net Assets of Governmental Activities	<u>\$ 1,275,871</u>

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

HOPKINS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 90,893
Total Current Assets	<u>90,893</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	29,156
Other Equipment	34,253
Less Accumulated Depreciation	<u>(21,870)</u>
Total Noncurrent Assets	<u>41,539</u>
Total Assets	<u>132,432</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	41,539
Restricted	4,685
Unrestricted	<u>86,208</u>
Total Net Assets	<u><u>\$ 132,432</u></u>

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 302,310
Total Operating Revenues	<u>302,310</u>
Operating Expenses	
Cost of Sales	177,038
Personnel Costs	8,108
Depreciation	17,020
Miscellaneous	<u>30,780</u>
Total Operating Expenses	<u>232,946</u>
Operating Income (Loss)	<u>69,364</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	20,852
Inmate Refunds	<u>(63,242)</u>
Total Nonoperating Revenues (Expenses)	<u>(42,390)</u>
Change In Net Assets	26,974
Total Net Assets - Beginning (Restated)	<u>105,458</u>
Total Net Assets - Ending	<u><u>\$ 132,432</u></u>

The accompanying notes are an integral part of the financial statements.

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HOPKINS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

HOPKINS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 302,310
Cost of Sales	(177,038)
Personnel Costs	(8,108)
Miscellaneous	(30,780)
Net Cash Provided By Operating Activities	<u>86,384</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	20,852
Inmate Refunds on Accounts	(63,242)
Net Cash (Used) By Noncapital Financing Activities	<u>(42,390)</u>
Cash Flows From Capital and Related Financing Activities	
Capital Assets Purchased	(40,410)
Net Cash (Used) By Capital and Related Financing Activities	<u>(40,410)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,584
Cash and Cash Equivalents - July 1, 2006 (Restated)	<u>87,309</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 90,893</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 69,364
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>17,020</u>
Net Cash Provided By Operating Activities	<u><u>\$ 86,384</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The Hopkins County Tourist and Convention Commission is a discretely presented component unit of Hopkins County, Kentucky and its financial statements are presented in accordance with the accrual basis of accounting.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Unit

The financial data of the Hopkins County Tourist and Convention Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

Hopkins County Tourist and Convention Commission

Hopkins County Fiscal Court established the Hopkins County Tourist and Convention Commission pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Hopkins County. The Hopkins County Tourist and Convention Commission board is composed of seven members appointed by the Hopkins County Fiscal Court from the local hotel and motel industries, the local restaurant industries, the local chamber of commerce and one at large member. The Hopkins County Tourist and Convention Commission's governing body is substantially different from the Fiscal Court. However, the Hopkins County Tourist and Convention Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Hopkins County Tourist and Convention Commission's major source of revenue is transient room tax. The Hopkins County Fiscal Court enacted a transient room tax ordinance on January 16, 2003.

The Fiscal Court currently imposes a 4% tax for the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or other like or similar accommodation businesses. Due to this fiscal dependency the Fiscal Court has included the Hopkins County Tourist and Convention Commission as a component unit. The Hopkins County Tourist and Convention Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Hopkins County Tourist and Convention Commission is presented discretely.

Audited financial statements for the Hopkins County Tourist and Convention Commission, a discretely presented component unit, may be requested by contacting the Hopkins County Fiscal Court.

C. Hopkins County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hopkins County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill users fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Contingency Fund - The primary purpose of this fund is to annually set aside some investments for future contingencies.

The primary government has no non-major funds.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Contingency Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation Of Component Unit

Detailed presentations of the financial statements for the Hopkins County Tourist and Convention Commission, a major discretely presented component unit of the Hopkins County Fiscal Court, are available from the separately issued financial statements of the Hopkins County Tourist and Convention Commission.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Furniture and Fixtures	2,500	3-25
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, there are no related organizations of Hopkins County Fiscal Court.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, there are no joint ventures of the Hopkins County Fiscal Court.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization of Hopkins County Fiscal Court: Hopkins County Joint Planning Commission.

Note 2. Deposits

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have a deposit policy for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2007, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of May 31, 2007, the primary government's public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement as follows:

- Uncollateralized and Uninsured \$1,551

As of June 30, 2007, all deposits of the discretely presented component unit were covered by FDIC or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 406,500	\$	\$	\$ 406,500
Total Capital Assets Not Being Depreciated	406,500			406,500
Capital Assets, Being Depreciated:				
Buildings	13,102,361	107,900		13,210,261
Other Equipment	2,475,888	660,298		3,136,186
Vehicles and Equipment	938,355	198,324	(83,679)	1,053,000
Infrastructure	3,267,789	1,053,828		4,321,617
Total Capital Assets Being Depreciated	19,784,393	2,020,350	(83,679)	21,721,064
Less Accumulated Depreciation For:				
Buildings	(2,800,792)	(337,291)		(3,138,083)
Other Equipment	(1,568,466)	(239,769)		(1,808,235)
Vehicles and Equipment	(704,314)	(108,970)	66,779	(746,505)
Infrastructure	(435,579)	(333,286)		(768,865)
Total Accumulated Depreciation	(5,509,151)	(1,019,316)	66,779	(6,461,688)
Total Capital Assets, Being Depreciated, Net	14,275,242	1,001,034	(16,900)	15,259,376
Governmental Activities Capital Assets, Net	\$14,681,742	\$1,001,034	\$ (16,900)	\$15,665,876

Note 3. Capital Assets (Continued)

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 6,500	\$ 22,656	\$	\$ 29,156
Other Equipment	16,499	17,754		34,253
Total Capital Assets Being Depreciated	22,999	40,410		63,409
Less Accumulated Depreciation For:				
Vehicles and Equipment	(2,600)	(8,852)		(11,452)
Other Equipment	(2,250)	(8,168)		(10,418)
Total Accumulated Depreciation	(4,850)	(17,020)		(21,870)
Total Capital Assets, Being Depreciated, Net	18,149	23,390		41,539
Business-Type Activities Capital Assets, Net	\$ 18,149	\$ 23,390	\$	\$ 41,539

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 311,423
Protection to Persons and Property	260,490
General Health and Sanitation	38,013
Roads, Including Depreciation of General Infrastructure Assets	409,390
Total Depreciation Expense - Governmental Activities	<u>\$1,019,316</u>
<u>Business-Type Activities</u>	
Jail Canteen	\$ 17,020
Total Depreciation Expense - Business-Type Activities	<u>\$ 17,020</u>

Capital asset activity of the discretely presented component unit for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Capital Assets, Being Depreciated:				
Other Equipment		5,343		5,343
Total Capital Assets Being Depreciated		5,343		5,343

Note 3. Capital Assets (Continued)

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Less Accumulated Depreciation For:				
Other Equipment		(566)		(566)
Total Accumulated Depreciation		(566)		(566)
Total Capital Assets, Being				
Depreciated, Net		4,777		4,777
Governmental Activities Capital				
Assets, Net	\$	\$ 4,777	\$	\$ 4,777

Note 4. Assets Held For Resale

Assets held by the primary government for resale activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Assets Held for Resale	\$ 336,932	\$ 385,560	\$ 336,932	\$ 385,560
Governmental Activities				
Assets Held for Resale	\$ 336,932	\$ 385,560	\$ 336,932	\$ 385,560

Note 5. Short-term Debt

A. Mack Trucks

In March 2007, the county entered into a financing agreement with the Kentucky Association Of Counties for \$385,560 at a rate of 4.25% to finance the purchase of four Mack Trucks. As of June 30, 2007, the outstanding principal balance was \$385,560, which will be due by March 2008.

Note 5. Short-term Debt (Continued)

B. Changes In Short-term Liabilities

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Short-term liability activity of the primary government for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financial Obligations	\$	\$ 385,560	\$	\$ 385,560	\$ 385,560
Governmental Activities Short-term Liabilities	\$	\$ 385,560	\$	\$ 385,560	\$ 385,560

Note 6. Long-term Debt

A. General Obligation Refunding Bonds, Series 2005

The fiscal court issued obligations, dated June 1, 2005 and payable in 15 annual installments beginning February 1, 2006, and semi-annual interest payments on the first of February and August at varying rate from 3% to 4%. The fiscal court issued the bonds for the purpose of advanced refunding of all outstanding County of Hopkins, Kentucky General Obligation bonds (Detention Facility Project), Series 2000 and paying the associated costs of issuing the bonds. As of June 30, 2007, bonds outstanding were \$9,645,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 605,000	\$ 349,525
2009	620,000	331,375
2010	645,000	312,775
2011	665,000	292,619
2012	685,000	271,006
2013-2017	3,785,000	975,050
2018-2020	2,640,000	214,000
Totals	\$ 9,645,000	\$ 2,746,350

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Liabilities

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Long-term liability activity of the primary government for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 10,235,000	\$	\$ 590,000	\$ 9,645,000	\$ 605,000
Governmental Activities					
Long-term Liabilities	<u>\$ 10,235,000</u>	<u>\$</u>	<u>\$ 590,000</u>	<u>\$ 9,645,000</u>	<u>\$ 605,000</u>

C. General Obligation Bonds, Series 2000

On June 1, 2005, the Hopkins County Fiscal Court advance refunded the General Obligation Bonds, Series 2000 issued for the Detention Facility Project. Payments due on and after this date were paid from the escrow account. The bonds will be called on February 1, 2020. Total bonds outstanding as of June 30, 2007 totaled \$8,850,000. As of June 30, 2007, the escrow account had a balance of \$9,343,600. The escrow account and liability are not included on the financial statements.

Note 7. Interest On Long-term Debt and Short-term Financing Obligations

Debt Service on the Statement of Activities includes \$6,045 in interest on financing obligations and \$367,225 in interest on bonds and notes.

Note 8. Commitments and Contingencies

A. Ambulance Service Contract

The Medical Center Ambulance Service, Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other period requiring such service while in Hopkins County.

Under the lease agreement between MCAS and Hopkins County, the county has agreed to reimburse MCAS during the term of the lease for losses incurred in its' operation. The county's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses incurred.

Note 8. Commitments and Contingencies (Continued)

B. Hopkins County Regional Landfill

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

The Hopkins County Regional Landfill operates under a verbal agreement with Hopkins County. The term of the agreement is for one year, and is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and the citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in ordinance 2006-10. As of June 30, 2007 both parties were in compliance with this agreement.

Note 9. Employee Retirement System

The primary government has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. The county contributed \$254,770 for non-hazardous employees and \$388,770 for hazardous employees during fiscal year 2005; \$317,344 for non-hazardous employees and \$540,597 for hazardous employees during fiscal year 2006; and \$372,337 for non-hazardous employees and \$595,852 for hazardous employees during fiscal year 2007.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Deferred Compensation

On February 24, 2000, the Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Note 10. Deferred Compensation (Continued)

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 110 Sea Hero Road, Suite 101, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 11. Insurance

For the fiscal year ended June 30, 2007, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Prior Period Adjustments

The beginning net asset balance has been decreased by \$150,000 due to a capital asset previously included in error (this adjustment does not affect the beginning fund balance).

The beginning net asset and fund balances of the business-type activities have been increased by \$260 due to prior year voided checks.

	Net Assets Reported FYE 6/30/06	Adjustments	Restated Net Assets FYE 6/30/06
Governmental Activities	10,529,590	(150,000)	10,379,590
Business-Type Activities and Jail Canteen Fund	105,198	260	105,458

	Cash Balance FYE 6/30/06	Adjustments	Restated Cash Balance FYE 6/30/06
Jail Canteen Fund	87,049	260	87,309

Note 13. Subsequent Event

On April 22, 2008, the Hopkins County Fiscal Court approved an ordinance authorizing the issuance of General Obligation Bond Anticipation Notes, Series 2008 in the amount of \$5,000,000. The purpose of these bonds will be to provide interim financing for the construction of a Judicial Center located in Hopkins County, Kentucky.

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,617,900	\$ 4,617,900	\$ 5,274,479	\$ 656,579
Licenses and Permits	82,000	82,000	80,423	(1,577)
Intergovernmental Revenue	3,942,818	4,042,818	3,223,286	(819,532)
Miscellaneous	149,100	149,100	195,550	46,450
Interest	75,000	75,000	132,124	57,124
Total Revenues	8,866,818	8,966,818	8,905,862	(60,956)
EXPENDITURES				
General Government	4,064,596	4,296,621	3,971,892	324,729
Protection to Persons and Property	1,108,614	1,114,454	300,328	814,126
General Health and Sanitation	125,451	125,976	125,930	46
Social Services	81,254	88,100	82,446	5,654
Recreation and Culture	19,500	31,405	23,750	7,655
Capital Projects	10,000	11,000	10,980	20
Administration	1,873,312	1,715,171	1,471,112	244,059
Total Expenditures	7,282,727	7,382,727	5,986,438	1,396,289
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,584,091	1,584,091	2,919,424	1,335,333
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(3,584,091)	(3,584,091)	(3,075,000)	509,091
Total Other Financing Sources (Uses)	(3,584,091)	(3,584,091)	(3,075,000)	509,091
Net Changes in Fund Balance	(2,000,000)	(2,000,000)	(155,576)	1,844,424
Fund Balance - Beginning	2,000,000	2,000,000	2,111,241	111,241
Fund Balance - Ending	\$	\$	\$ 1,955,665	\$ 1,955,665

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,679,190	\$ 2,679,190	\$ 1,676,465	\$ (1,002,725)
Miscellaneous	285,300	285,300	328,577	43,277
Interest	15,000	15,000	19,854	4,854
Total Revenues	<u>2,979,490</u>	<u>2,979,490</u>	<u>2,024,896</u>	<u>(954,594)</u>
EXPENDITURES				
Roads	2,144,946	2,162,946	1,820,896	342,050
Debt		6,045	6,045	
Capital Projects	1,700,000	1,700,000	826,394	873,606
Administration	370,500	346,455	295,612	50,843
Total Expenditures	<u>4,215,446</u>	<u>4,215,446</u>	<u>2,948,947</u>	<u>1,266,499</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,235,956)</u>	<u>(1,235,956)</u>	<u>(924,051)</u>	<u>311,905</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			385,560	385,560
Transfers From Other Funds	1,035,956	1,035,956	300,000	(735,956)
Total Other Financing Sources (Uses)	<u>1,035,956</u>	<u>1,035,956</u>	<u>685,560</u>	<u>(350,396)</u>
Net Changes in Fund Balance	(200,000)	(200,000)	(238,491)	(38,491)
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>475,499</u>	<u>275,499</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 237,008</u>	<u>\$ 237,008</u>

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,884,675	\$ 2,884,675	\$ 2,747,486	\$ (137,189)
Charges for Services	189,000	189,000	229,283	40,283
Miscellaneous	126,400	126,400	115,222	(11,178)
Interest	9,000	9,000	17,499	8,499
Total Revenues	3,209,075	3,209,075	3,109,490	(99,585)
EXPENDITURES				
Protection to Persons and Property	3,395,410	3,435,359	3,228,596	206,763
Debt Service	957,225	957,226	957,225	1
Administration	955,960	916,010	819,035	96,975
Total Expenditures	5,308,595	5,308,595	5,004,856	303,739
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,099,520)	(2,099,520)	(1,895,366)	204,154
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,799,520	1,799,520	1,875,000	75,480
Total Other Financing Sources (Uses)	1,799,520	1,799,520	1,875,000	75,480
Net Changes in Fund Balance	(300,000)	(300,000)	(20,366)	279,634
Fund Balance - Beginning	300,000	300,000	386,169	86,169
Fund Balance - Ending	\$	\$	\$ 365,803	\$ 365,803

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 3,375,609	\$ 3,625,609	\$ 2,715,855	\$ (909,754)
Charges for Services	75,500	75,500	116,348	40,848
Miscellaneous	121,300	146,300	156,802	10,502
Interest	5,000	5,000	21,531	16,531
Total Revenues	<u>3,577,409</u>	<u>3,852,409</u>	<u>3,010,536</u>	<u>(841,873)</u>
EXPENDITURES				
General Government	974,450	974,450	580,000	394,450
Protection to Persons and Property	278,000	282,400	272,400	10,000
General Health and Sanitation	1,346,882	1,529,282	1,340,517	188,765
Social Services	640,000	652,200	491,213	160,987
Recreation and Culture	684,692	711,042	359,700	351,342
Roads	345,000	420,000	382,927	37,073
Capital Projects	3,000	3,000	1,514	1,486
Administration	254,000	228,650	193,466	35,184
Total Expenditures	<u>4,526,024</u>	<u>4,801,024</u>	<u>3,621,737</u>	<u>1,179,287</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(948,615)</u>	<u>(948,615)</u>	<u>(611,201)</u>	<u>337,414</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>748,615</u>	<u>748,615</u>	<u>900,000</u>	<u>151,385</u>
Total Other Financing Sources (Uses)	<u>748,615</u>	<u>748,615</u>	<u>900,000</u>	<u>151,385</u>
Net Changes in Fund Balances	<u>(200,000)</u>	<u>(200,000)</u>	<u>288,799</u>	<u>488,799</u>
Fund Balances - Beginning	<u>200,000</u>	<u>200,000</u>	<u>252,526</u>	<u>52,526</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 541,325</u>	<u>\$ 541,325</u>

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	CONTINGENCY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 100,000	\$ 100,000	\$ 164,303	\$ 64,303
Total Revenues	100,000	100,000	164,303	64,303
EXPENDITURES				
Administration	2,470,000	2,470,000		2,470,000
Total Expenditures	2,470,000	2,470,000		2,470,000
Net Changes in Fund Balances	(2,370,000)	(2,370,000)	164,303	2,534,303
Fund Balances - Beginning	2,370,000	2,370,000	2,370,481	481
Fund Balances - Ending	\$	\$	\$ 2,534,784	\$ 2,534,784

HOPKINS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donald Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of Hopkins County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 19, 2008 wherein we issued a qualified opinion on the discretely presented component unit. We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit of the Hopkins County Fiscal Court. Those financial statements were audited by other auditors whose report has been furnished to us. Hopkins County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopkins County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hopkins County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hopkins County's financial statements as of and for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Hopkins County Jail Should Issue Receipts In Accordance With KRS 64.840

The Hopkins County Judge/Executive's and the Hopkins County Jailer's responses to the finding identified in our audit are included in the accompanying comment and recommendation. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Hopkins County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 19, 2008

**HOPKINS COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2007

**HOPKINS COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2007

STATE LAWS AND REGULATIONS

Hopkins County Jail Should Issue Receipts In Accordance With KRS 64.840

According to KRS 64.840 and KRS 68.210, all governmental officials handling public funds should issue a three part pre-numbered receipt with the original being given to the payer, a copy be attached to a daily cash check-out sheet and a copy to be maintain in a file, in sequential order. During auditing procedures performed on the jail activities, auditor noted that the jail does not issue pre-numbered receipts. We recommend that the jail issue pre-numbered receipts in accordance with KRS 64.840 and KRS 68.210 which will also strengthen internal controls over jail receipts.

County Judge/Executive Donald Carroll's Response: Comments pertain to the Jail Commissary Fund. See Jailer's response.

County Jailer Joe Blue's Response: None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

HOPKINS COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2007**

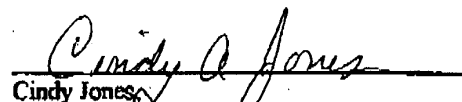
**CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND
DEVELOPMENT PROGRAMS**

HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Donald Carroll,
County Judge/Executive


Cindy Jones,
County Treasurer

